

A meeting of the Board of Governors of the Federal Reserve System was held in Washington on Monday, May 11, 1936, at 11:45 a. m.

PRESENT: Mr. Eccles, Chairman
Mr. Broderick
Mr. Szymczak
Mr. McKee

Mr. Morrill, Secretary
Mr. Bethea, Assistant Secretary
Mr. Carpenter, Assistant Secretary
Mr. Clayton, Assistant to the Chairman

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on April 21, 22 (two meetings), 23, 24 (12:30 meeting), 28, 30 (two meetings), and May 1, 1936, were approved unanimously.

The minutes of the meetings of the Board of Governors of the Federal Reserve System held on April 24 (10:30 meeting), 25, 27, 29, May 2, 4, 5 and 6, 1936, were approved unanimously and the actions recorded therein were ratified unanimously.

Consideration was then given to each of the matters herein after referred to and the action stated with respect thereto was taken by the Board:

Telegram to Mr. Walsh, Chairman of the Federal Reserve Bank of Dallas, stating that the Board approves the establishment without change by the bank today of the rates of discount and purchase in its existing schedule.

Approved unanimously.

Memorandum dated May 8, 1936, from Mr. Morrill recommending that Mrs. Rachel M. Cook, a stenographer in the Division of Examinations, be transferred from that Division to the Secretary's Office,

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with no change in her present salary at the rate of \$1,620 per annum, effective May 1, 1936. The memorandum stated that Mr. Paulger, Chief of the Division of Examinations, was entirely agreeable to the transfer of Mrs. Cook.

Approved unanimously.

Telegram to Mr. Burke, Federal Reserve Agent at the Federal Reserve Bank of Cleveland, stating that, subject to the conditions of membership numbered 1 to 6 contained in the Board's Regulation "H", and the following special conditions, the Board approves the application of "The Elyria Savings & Trust Company", Elyria, Ohio, for membership in the Federal Reserve System and for the appropriate amount of stock in the Federal Reserve Bank of Cleveland:

- "7. Such bank shall make adequate provision for depreciation in its furniture and fixtures.
- "8. Prior to admission to membership such bank, if it has not already done so, shall charge off or otherwise eliminate estimated losses of \$6,149.95 as shown in the report of examination of such bank as of April 6, 1936, made by an examiner for the Federal Reserve Bank of Cleveland."

The telegram also stated that the following advice, in addition to the usual comments, would be contained in the Board's letter to The Elyria Savings & Trust Company:

"According to the report of examination as of April 6, 1936, the Superintendent of Banks, in view of recent decisions of the courts of Ohio relative to mortgage pools, has requested the bank to take over the two mortgage pools which it is still operating and settle with the certificate holders, but up to the time of examination the bank had not

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"complied with such request. Upon admission to membership in the Federal Reserve System it will be expected that the bank will conduct its operations in accordance with the statutory provisions and the requirements of the appropriate supervisory authorities and it is requested that you advise the Federal Reserve Bank of Cleveland as to the action which has been or will be taken by the bank to comply with the request of the Superintendent of Banks of the State of Ohio regarding the mortgage pools."

The telegram stated further that it was understood that under the laws of Ohio trust funds held by a bank and deposited in its own banking department were fully protected by statutory preference; that standard condition of membership numbered 6, however, had been prescribed in order that its provisions may be invoked at any time in the future if necessary; and that the Federal reserve agent was authorized to waive compliance with the condition until further notice in accordance with the general authorization contained in the Board's letter of March 8, 1935. The telegram also stated that the report of examination of the bank, made as of April 6, 1936, listed three mortgage loans as having been made in excess of the limitations prescribed by the provisions of section 710-112 of the General Code of Ohio; that it was assumed that, if the bank had not already done so, it would, at the first favorable opportunity, take such action as may be appropriate to bring the loans into conformity with such provisions; and that the papers submitted with the bank's application did not include a copy of the form of capital debentures sold to the Reconstruction Finance Corporation, and, since it was understood that the debentures contain a full statement of the agreement between the bank and the Reconstruction Finance Corpora-

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tion, it would be appreciated if the agent would forward such a copy to the Board, in order that its records might be complete.

Approved unanimously.

Telegram to Mr. Young, Assistant Federal Reserve Agent at the Federal Reserve Bank of Chicago, reading as follows:

"Retel May 9 'Coopersville State Bank', Coopersville, Michigan. In accordance with your recommendation Board extends to June 6, 1936, time within which bank may accomplish its membership in the System."

Approved unanimously.

Letter to "The First National Bank of Spring Valley", Spring Valley, Minnesota, reading as follows:

"This refers to the resolution adopted on January 14, 1936, by the board of directors of your bank signifying the bank's desire to surrender its right to exercise trust powers which have been granted to it by the Federal Reserve Board.

"The Board of Governors of the Federal Reserve System understands that your bank has been discharged or otherwise properly relieved in accordance with the law of all of its duties as fiduciary. The Board, therefore, has issued a formal certificate to your bank certifying that it is no longer authorized to exercise any of the fiduciary powers covered by the provisions of section 11(k) of the Federal Reserve Act, as amended. This certificate is inclosed herewith.

"In this connection, your attention is called to the fact that, under the provisions of section 11(k) of the Federal Reserve Act, as amended, when such a certificate has been issued by the Board of Governors of the Federal Reserve System to a national bank, such bank (1) shall no longer be subject to the provisions of section 11(k) of the Federal Reserve Act or the regulations of the Board of Governors of the Federal Reserve System made pursuant thereto, (2) shall be entitled to have returned to it any securities which it may have deposited with the State or similar authorities for the protection of private or court trusts, and (3) shall not exercise any of the powers covered by section 11(k) of

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"the Federal Reserve Act except with the permission of the Board of Governors of the Federal Reserve System."

Approved unanimously.

Letter to Mr. Sargent, Assistant Federal Reserve Agent at the Federal Reserve Bank of San Francisco, reading as follows:

"This refers to the application of 'Marine Bancorporation', Seattle, Washington, for a voting permit entitling it to vote the stock which it owns or controls of its subsidiary member banks.

"In a recent conference between members of the Board's staff and the applicant's president, Mr. Andrew Price, reference was made to the Board's letters and telegrams interpreting various provisions of the standard form of agreement which holding company affiliates are required to execute as a condition to the issuance of general voting permits. Copies of a number of such letters and telegrams were inclosed in the Board's letter of January 30, 1936, (X-9473), and it is suggested that you furnish copies of the inclosures in that letter to Mr. Price, if you have not already had occasion to do so. Copies of letters written by the Board subsequent to January 30, 1936, will be furnished to you at an early date. Mr. Price was furnished with a copy of the following excerpt from one of such letters:

'With reference to your first question, it is not the intent of the Board that such agreement shall deprive the holding company affiliate or its subsidiary banks of any rights which they may have to resort to any court or other tribunal of proper jurisdiction.'

Approved unanimously.

Letter to Mr. Harrison, President of the Federal Reserve Bank of New York, reading as follows:

"Reference is made to the suggestion in Mr. Sailer's letter of February 28, 1936, transmitting the 1936 budget for your bank, that consideration be given by the Board to changing the present method of reporting contributions to the Retirement System on account of prior service liability so as to eliminate prior years' charges from current year's expenses.

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"When the Retirement System was established it was decided to include the prior service contribution in current expenses for the reason that it is thought to be desirable that all payments by the Federal Reserve banks for personal services should be reflected in current expenses and there did not seem to be any particular objection to so doing so long as the prior service liability was to be liquidated over a period of 20 years. When the original procedure was changed so as to provide for liquidation of the prior service liability during the 5 year period ending December 31, 1939, current expenses of Federal Reserve banks, as already published, for the year 1934 and for the first half of 1935 included prior service payments. On the whole it was believed to be preferable to continue to include the prior service contributions in current expenses, especially as the amount of the prior service contributions for the years 1935 to 1939, inclusive, were definitely fixed and could readily be deducted from current expenses for the purpose of comparison with prior and subsequent years."

Approved unanimously.

Thereupon the meeting adjourned.

Chester Morris
Secretary.

Approved:

W. S. Lewis
Chairman.